

NEWSLETTER FEBRUARY 2012

ONLINE VAT RETURNS AND ELECTRONIC PAYMENTS

Since April 2010 most VAT registered businesses have been required to submit their VAT Returns online and pay any VAT due electronically. From 1 April 2012 **all** VAT registered businesses will be required to meet these requirements, apart from a very small number who will be exempt.

Exemptions from doing your VAT online

Businesses may not have to comply with the requirement if:

- they are subject to an insolvency procedure - but if the business is subject to an approved Voluntary Arrangement, administration or trust deed, an online submission may be made
- HMRC is satisfied that the business is run by practising members of a religious society, whose beliefs prevent them from using computers.

If you believe either of these exemptions apply then it is important to confirm the position with HMRC and not assume that the exemption applies.

Paying your VAT electronically

Businesses which submit their VAT Returns online, must also pay any VAT due electronically. This generally gives businesses up to seven extra calendar days to submit their return and pay their VAT. There are some exceptions to this rule, for example businesses which file annual returns and make payments on account.

HMRC advise:

'The extended due date will be shown on your online return and you must ensure that cleared funds reach HMRC's bank account by this date. If your payment clears later than this, you may be liable to a surcharge for late payment'.

'There are various ways to pay including by Direct Debit, online and telephone banking. You can also pay by cheque at a bank or building society using a Bank Giro paying-in slip which can be obtained from HMRC. Since some of these methods can take a little time to set up, you should choose which method you want to use, and set it up, well in advance of the filing and payment deadline'.

If you would like any help with your VAT return please do get in touch.

PAYE TAX CODES

HMRC are issuing PAYE tax codes for 2012/13. These new coding notices, which are due to be issued between January and March 2012, will be used against employees pay from April 2012 onwards. It is important that these coding notices are checked carefully as an incorrect code will result in too little or too much tax being deducted from pay or pension payments.

If you are unsure that your coding notice is correct and would like some further guidance please do get in touch.

Good news for many

The majority of taxpayers will see an increase in their tax code as the personal allowance for those under 65 increases from £7,475 to £8,105.

Those individuals with simple tax affairs (just one employer with no reliefs or benefits or tax underpayments brought forward) will generally not receive a coding notice. Their current coding of 747L will be automatically uplifted to 810L following general instructions to employers.

Although the personal allowance is increasing, the point at which taxpayers start to pay the higher rate of 40% tax on their taxable income is decreasing (from £35,000 to £34,370). This means that basic or higher rate taxpayer will generally benefit from the same tax saving of £126.

The withdrawal of the personal allowance for those with income over £100,000 income limit applies for 2012/13. The reduction in the personal allowance is by £1 for every £2 of adjusted net income above the income limit. Adjusted net income for these purposes is broadly all income after adjustment for pension payments, charitable giving and relief for losses. Individuals with adjusted net income of at least £116,210 will not be entitled to a personal allowance for 2012/13.

HMRC NOW ABLE TO ACCEPT FASTER PAYMENTS

HMRC have announced that they are now able to accept payments made using the Faster Payments Service. This will allow you to make faster electronic payments, typically via internet or telephone banking, enabling them to be processed on the same or next day.

HMRC advise that those wishing to make payments using this method should contact their bank or building society before making a payment to confirm:

- the service available to you
- whether there are any single transaction or daily limits on the amount you can pay
- their latest cut off times for making a payment.

HMRC are also reminding taxpayers to ensure that they always use the correct bank account details and reference number.

AGENCY WORKERS REGULATIONS

Under the Agency Workers Regulations, workers supplied by an agency become entitled to receive pay and basic working conditions equivalent to any directly employed employees after a 12 week qualifying period.

The rules came into effect from 1 October 2011 so the 12 week period commenced from 1 October 2011 for existing agency workers. Where these workers are still engaged by the hirer, they now qualify to receive pay and basic working conditions equivalent to directly employed employees.

Where an agency worker is at the entity for less than 12 weeks, a minimum break of more than six weeks between assignments with the same employer will be necessary for the rights not to be available.

EU COOKIES

The Information Commissioner's Office (ICO) has published guidelines on the business use and storage of cookies.

The law which applies to how businesses use cookies and similar technologies for storing information on a user's equipment such as their computer or mobile device changed on 26 May 2011. The ICO guidance on the new cookies Regulations sets out the changes to the cookies law and explains what steps businesses need to take to ensure they are complying.

Following an EU Directive, businesses are now obliged by law to obtain the explicit consent of each of their websites' visitors before storing any data on their device. Websites must also provide '*clear and comprehensive information*' about the purposes of the storage.

The UK actually introduced the amendments on 25 May 2011 through The Privacy and Electronic Communications Regulations 2011. However, website owners have been given until May 2012 to make their websites compliant with the new legislation.

It remains to be seen how strictly this law will be enforced, but the ICO have already introduced a maximum penalty of £500,000.

PENSIONS AUTO ENROLMENT DATES DEFERRED FOR SMALLER EMPLOYERS

The timetable for the introduction of Pensions Auto Enrolment has been revised for smaller employers.

Employers have been aware for some time now that the government is to introduce legislation designed to encourage more people to save for their retirement.

Under the rules employers must:

- 'auto-enrol' eligible employees into a pension scheme
- make employer pension contributions for them, and
- make deductions of employee pension contributions from the employees pay.

The rules come into force from October 2012. However they only impact on the largest employers from that date, as few employers have a workforce of more than 120,000. For those employers with a more modest number of employees the start dates have been amended. This was previously announced and has been confirmed in a written ministerial statement.

Steve Webb, the Minister of State, Department for Work and Pensions confirmed:

'On 28th November 2011, the Government announced that the timetable for the implementation of automatic enrolment will be adjusted so that small businesses are not affected by the reforms during this Parliament. This will provide them with some additional breathing space to prepare for the reforms whilst operating in tough economic times.'

'I can now confirm that under the revised timeline, all employers with an existing staging date of on or before 1st February 2014 are unaffected. This means that no large employer will have to make any changes to their plans – which are in many cases already advanced.'

Medium sized employers will be re-allocated automatic enrolment dates between 1st April 2014 and 1st April 2015. This means that the implementation dates of some of these employers will be up to nine months later. However, this still means that around 70% of eligible workers will be automatically enrolled before the end of this Parliament compared with around 75% under previous arrangements.'

'Small employers will be allocated automatic enrolment dates between 1st June 2015 and 1st April 2017.'

The guidance contains a table of revised implementation dates for small and medium employers, by size. We will keep you informed of further announcements.

NEW APPROACH TO RECORDS CHECKS FROM HMRC

HMRC have announced that they intend to make changes to their business records checks programme following a review of the pilot scheme.

HMRC will now postpone making any new business records check appointments until the revamped approach is launched early in 2012/13. The delay is to allow further consultation with representative bodies on the implementation of the recommendations in the review and on some details of the new approach.

HMRC's Director of Local Compliance, Richard Summersgill, said:

'Four out of ten businesses had an issue with their business records, and of those that required a follow-up visit, we found that some 90% subsequently improved their record-keeping.'

'However, after reviewing the pilot programme and listening to the views of businesses and representative bodies, we acknowledge the need for a fresh approach to business records checks.'

PAY UP ON TIME

A new guide *'Get Paid!'* has been published. The guide which is aimed at smaller businesses contains tips and advice from both suppliers and customers. The guide covers advice on invoicing and developing a robust credit policy.

The government is asking businesses and public organisations to pay suppliers on time and for small businesses to pursue those who put them at risk by delaying payment.

Prompt payment is vital for SMEs, with many businesses not able to survive the cashflow problems that late payments create.

The government is encouraging SMEs to:

- proactively agree payment terms before delivering orders.
- sign up to the government's Prompt Payment Code, run by the Institute for Credit Management
- raise complaints over late payment from Code signatories and use legislation already in place to help companies pursue late payers
- use electronic invoicing where possible.

HMRC LATEST TARGETS

HMRC have announced that they will turn their attention to those involved in home improvement trades and direct selling (online market sellers) in their next round of Tax Catch Up Plans.

HMRC have previously offered Tax Catch Up Plans to Plumbers, Dentists and Tutors amongst others. According to the press release their latest campaigns will target:

'Missing returns. This will contribute to wider HMRC activity tackling failure to complete tax returns. It will initially focus on those who fail to complete tax returns and who are liable to pay tax at the highest rates.'

'Home improvement trades. This will build on campaigns aimed at plumbers and electricians, and will include several 100,000 tradespeople in construction and building work such as roofing, window fitting, bricklaying, carpentry and joinery.'

'Direct selling. This will target customers who ought to be paying tax on income they earn from buying and selling goods direct to others, or from the commission on these sales.'

'As with previous campaigns, the focus of the new campaigns will be on providing those in the selected groups, who may not be paying the tax they owe, a chance to put their affairs in order on the best possible terms.'

HMRC have announced that they will be using new technology to identify traders in both sectors with unpaid taxes.

Marian Wilson of HMRC said:

'We are offering all the people targeted the opportunity to come forward. Penalties will be higher if we come and find people after the opportunity.'

Please do get in touch if you have any concerns in these areas.

PENALTIES FOR FAILING TO FILE PAYROLL FORMS ONLINE

HMRC have confirmed in the latest Employer Bulletin that they intend to impose penalties on **all** employers who fail to send their payroll starter and leaver forms online from April 2012.

During the 2011/12 tax year HMRC issued penalty notices to employers with 50 or more employees when they submitted more than two paper forms in a quarter. The penalties issued ranged from £100 to £3000 depending on the number of paper forms received in the quarter.

Since April 2011 small employers (with 50 or less employees) have been required to file their in year starter (P46) and leaver (P45) forms online. However, small employers who submitted paper forms between 6 April 2011 and 5 January 2012 were only issued with warning letters. This action was taken to try and help small employers to get this right.

From 6 April 2012 penalties will be issued when the employer fails to file their starter and leaver forms online in the period 6 January 2012 to 5 April 2012 and onwards.

If you would like any help with payroll issues please do get in touch.

i

ⁱ ***The articles in this newsletter are of necessity summaries of the topics covered. The publisher has taken all due care in the preparation of this publication. No responsibility for loss occasioned to any person acting or refraining from action as a result of any material in this publication can be accepted by the authors or the publishers. The publisher accepts no responsibility for the content of any material provided by third parties or for the content of any hypertext site referred to in this publication. The Publisher accepts no responsibility for the content of any website of other document referred to in this publication.***